FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the July 2000 to the October 2000 *Idaho Economic Forecast*. The July 2000 Idaho forecast is based on DRI's June 2000 U.S. macroeconomic forecast and the October 2000 Idaho forecast is driven by DRI's September 2000 forecast.

This section focuses on the differences between the current and previous *Idaho Economic Forecasts*. Regular *Forecast* readers will notice that the accompanying table contains several fields that have been marked with “NC” for “not calculated.” These measures were not calculated because the bases for most implicit price deflators were shifted from 1992 in the June 2000 *Forecast* to 1996 in the September 2000 *Forecast*. Thus, no meaningful comparison could be made between these deflators or any other that depended on them. Of course, since all deflators are now on the 1996 basis, we will once again be able to make valid comparisons beginning with the January 2001 *Forecast*.

Not all of the variables usually reviewed were affected by the base changes, so a somewhat limited comparison can still be made. The national variables are considered first. Overall, the outlook for the U.S. economy is slightly improved. Nominal GDP is anticipated to grow faster than had previously been forecast. And this improvement accelerates over time. For instance, it is 0.9% higher in 2000, but it is 4.0% by 2003. Nominal U.S. personal income displays this same pattern of improvement. It is 0.1 stronger in both 2000 and 2001, 0.4% higher in 2002, and 1.1% stronger in 2003. Inflation at the consumer level is also better behaved. Despite the stronger economy, nonfarm employment numbers are lower than had been previously forecasted. All of this reduction comes from the services-producing sector. Its downward revisions swamp the rather healthy upward adjustments to the goods producing sector. The lower employment expectations could be consistent if they reflect the unavailability of workers from a labor supply stretched to its limit.

The outlook for Idaho’s economy has improved slightly. For example, the Gem State’s nonfarm employment is about one-tenth of a percent higher in each year after 2000. Unlike its national counterpart, however, all of this improvement comes from the services-producing sector. In fact, the outlook for the goods-producing sector is down from the previous *Forecast*. Idaho nominal personal income is down 0.4% in 2000, but is up 0.4% in 2001, 0.6% in 2002, and 0.9% in 2003.